



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Scotland County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Scotland County, Missouri, for the two years ended December 31, 2002. A copy of this audit which was performed by Arthur White & Associates, L.L.C., Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2003-58
June 30, 2003

**SCOTLAND COUNTY, MISSOURI
DECEMBER 31, 2001 AND 2002**

SCOTLAND COUNTY, MISSOURI

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FINANCIAL SECTION

Independent Auditors' Reports

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

302 Main Street
Tarkio, Missouri 64491
Telephone (660) 736-5811
Fax (660) 736-4364

Offices also located in:
St. Joseph, Missouri
Rock Port, Missouri

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

April 3, 2003

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2002 and 2001, as identified in the table of contents. These special-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Scotland County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2002 and 2001, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 3, 2003, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

April 3, 2003

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Scotland County, Missouri, are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-1, 02-2, 02-3, 02-4, 02-5 and 02-7.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Scotland County, Missouri, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the

County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-6 and 02-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Financial Statements

Exhibit A-1

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 324,582	\$ 679,844	\$ 679,346	\$ 325,080
Special Road and Bridge	113,595	924,018	892,484	145,129
Assessment	5	74,777	70,455	4,327
Law Enforcement Sales Tax	-	86,229	85,101	1,128
Road & Bridge Capital Improvement	-	240,241	221,644	18,597
Road Rock Tax	18,522	67,290	74,877	10,935
Off System	52,450	338,549	345,352	45,647
Law Enforcement Training	453	1,424	1,584	293
Prosecuting Attorney Training	137	238	183	192
Recorder's User Fees	6,935	2,914	4,009	5,840
Law Library	4,641	2,743	2,241	5,143
Circuit Clerk Interest	1,129	170	-	1,299
Community Development Block Grant	-	257,455	256,455	1,000
Local Emergency Planning Commission - Federal Emergency Management Agency	2,708	1,730	1,500	2,938
Local Law Enforcement Block Grant	48	-	48	-
Recorder Technology	637	1,416	-	2,053
Prosecuting Attorney Bad Check	304	4,086	4,280	110
Associate Circuit Division Interest	963	187	-	1,150
Election Services	1,136	373	410	1,099
Court Restoration	-	42,952	3,290	39,662
Special Sheriff Project	-	250	-	250
DARE	-	500	-	500
Health Center	205,967	369,635	305,070	270,532
Children's Trust	80	220	150	150
Cemetery Trusts	6,149	2,863	1,935	7,077
Total	\$ 740,441	\$ 3,100,104	\$ 2,950,414	\$ 890,131

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCOTLAND COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 253,249	\$ 763,660	\$ 692,327	\$ 324,582
Special Road and Bridge	166,515	1,021,326	1,074,246	113,595
Assessment	218	66,174	66,387	5
Road Rock Tax	-	77,905	59,383	18,522
Off System	46,145	99,074	92,769	52,450
Law Enforcement Training	809	1,182	1,538	453
Prosecuting Attorney Training	164	163	190	137
Recorder's User Fees	6,101	2,227	1,393	6,935
Law Library	5,836	1,951	3,146	4,641
Circuit Clerk Interest	2,426	111	1,408	1,129
Community Development Block Grant	1,000	2,925	3,925	-
Local Emergency Planning Commission - Federal Emergency Management Agency	3,929	3,873	5,094	2,708
Local Law Enforcement Block Grant	-	7,372	7,324	48
Recorder Technology	-	637	-	637
Local Records	5,626	14,674	20,300	-
Prosecuting Attorney Bad Check	611	3,968	4,275	304
Associate Circuit Division Interest	647	316	-	963
Election Services	752	742	358	1,136
Health Center	147,072	375,624	316,729	205,967
Children's Trust	150	160	230	80
Cemetery Trusts	4,196	5,098	3,145	6,149
Total	\$ 645,446	\$ 2,449,162	\$ 2,354,167	\$ 740,441

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 209,048	\$ 225,164	\$ 16,116	\$ 208,833	\$ 228,870	\$ 20,037
Sales taxes	171,000	167,347	(3,653)	261,000	248,272	(12,728)
Intergovernmental	133,400	127,060	(6,340)	114,700	144,911	30,211
Charges for services	82,795	88,736	5,941	76,200	86,360	10,160
Interest	12,000	9,843	(2,157)	23,000	24,582	1,582
Other	16,750	61,694	44,944	19,500	26,212	6,712
Transfers in			-		4,453	4,453
Total Receipts	624,993	679,844	54,851	703,233	763,660	60,427
DISBURSEMENTS						
County Commission	52,436	53,091	(655)	52,603	51,288	1,315
County Clerk	46,418	47,260	(842)	46,065	45,969	96
Elections	12,000	13,261	(1,261)	1,000		1,000
Buildings and grounds	75,650	55,841	19,809	86,700	68,752	17,948
Employee fringe benefits	43,600	36,948	6,652	37,000	39,242	(2,242)
County Treasurer	18,236	18,333	(97)	17,501	16,964	537
County Collector	54,807	55,087	(280)	50,395	50,285	110
Recorder of Deeds	18,850	17,418	1,432	15,000	8,548	6,452
Associate Circuit Court	6,700	10,135	(3,435)	5,300	3,750	1,550
Court Reporter	400	258	142	500	144	356
Court administration	3,485	3,778	(293)	3,441	2,709	732
Public Administrator	12,518	12,167	351	12,304	12,350	(46)
Sheriff	198,944	180,038	18,906	212,390	223,236	(10,846)
Prosecuting Attorney	51,450	49,846	1,604	50,727	49,832	895
Juvenile Officer	46,245	37,714	8,531	45,092	28,229	16,863
Coroner	10,148	7,982	2,166	9,955	7,219	2,736
Other county government	46,395	45,266	1,129	47,200	42,367	4,833
Health and welfare	34,035	24,568	9,467	32,964	29,290	3,674
Transfers out	57,800	10,355	47,445	62,230	12,153	50,077
Emergency fund	20,000		20,000	23,000		23,000
Total Disbursements	810,117	679,346	130,771	811,367	692,327	119,040
RECEIPTS OVER (UNDER) DISBURSEMENTS	(185,124)	498	185,622	(108,134)	71,333	179,467
CASH, JANUARY 1	324,582	324,582	-	253,249	253,249	-
CASH, DECEMBER 31	\$ 139,458	\$ 325,080	\$ 185,622	\$ 145,115	\$ 324,582	\$ 179,467

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 279,899	\$ 298,035	\$ 18,136	\$ 277,132	\$ 303,549	\$ 26,417
Sales taxes			-	165,000	165,727	727
Intergovernmental	463,960	574,525	110,565	526,400	517,173	(9,227)
Interest	9,000	6,363	(2,637)	26,000	18,425	(7,575)
Other	9,000	12,750	3,750	8,000	16,452	8,452
Transfers in	100,000	32,345	(67,655)	50,000		(50,000)
Total Receipts	861,859	924,018	62,159	1,052,532	1,021,326	(31,206)
DISBURSEMENTS						
Salaries	283,000	281,636	1,364	271,000	273,438	(2,438)
Employee fringe benefits	43,000	42,564	436	47,000	38,451	8,549
Supplies	94,000	102,041	(8,041)	99,000	87,298	11,702
Insurance	20,000	21,587	(1,587)	20,000	16,464	3,536
Road and bridge materials	332,500	255,887	76,613	405,500	358,744	46,756
Equipment repairs	75,000	92,416	(17,416)	75,000	49,409	25,591
Rentals	1,000	3,796	(2,796)	-	1,470	(1,470)
Equipment purchases	-	350	(350)	100,000	59,715	40,285
Road and bridge materials	-	8,299	(8,299)	140,000	125,846	14,154
Other	1,000	21	979	1,000	279	721
Transfers out	-	83,887	(83,887)	-	63,132	(63,132)
Total Disbursements	849,500	892,484	(42,984)	1,158,500	1,074,246	84,254
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,359	31,534	19,175	(105,968)	(52,920)	53,048
CASH, JANUARY 1	113,595	113,595	-	166,515	166,515	-
CASH, DECEMBER 31	\$ 125,954	\$ 145,129	\$ 19,175	\$ 60,547	\$ 113,595	\$ 53,048

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 62,926	\$ 65,970	\$ 3,044	\$ 64,000	\$ 62,981	\$ (1,019)
Interest	400	288	(112)	600	907	307
Other	410	519	109	370	433	63
Transfers in	7,800	8,000	200	6,000	1,853	(4,147)
Total Receipts	71,536	74,777	3,241	70,970	66,174	(4,796)
DISBURSEMENTS						
Assessor	71,536	70,455	1,081	70,732	66,387	4,345
Total Disbursements	71,536	70,455	1,081	70,732	66,387	4,345
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	4,322	4,322	238	(213)	(451)
CASH, JANUARY 1	5	5	-	218	218	-
CASH, DECEMBER 31	\$ 5	\$ 4,327	\$ 4,322	\$ 456	\$ 5	\$ (451)

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales tax revenues	\$ 82,848	\$ 83,875	\$ 1,027
Charges for services			-
Transfers in		2,354	2,354
Total Receipts	82,848	86,229	3,381
DISBURSEMENTS			
Sheriff	73,045	85,101	(12,056)
Total Disbursements	73,045	85,101	(12,056)
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,803	1,128	(8,675)
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ 9,803	\$ 1,128	\$ (8,675)

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales tax revenues	\$ 172,000	\$ 167,887	\$ (4,113)
Transfers in		72,354	72,354
Total Receipts	172,000	240,241	68,241
DISBURSEMENTS			
EQUIPMENT & OTHER CONSTRUCTION	172,000	221,644	(49,644)
Total Disbursements	172,000	221,644	(49,644)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	18,597	18,597
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 18,597	\$ 18,597

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ROAD ROCK TAX FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax revenues	\$ 63,000	\$ 65,785	\$ 2,785		\$ 77,905	\$ 77,905
Transfers in		1,505	1,505			-
Total Receipts	63,000	67,290	4,290	\$ -	77,905	77,905
DISBURSEMENTS						
Road & bridge materials	73,000	74,877	(1,877)	-	59,383	(59,383)
Total Disbursements	73,000	74,877	(1,877)	-	59,383	(59,383)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	(7,587)	2,413	-	18,522	18,522
CASH, JANUARY 1	18,522	18,522	-	-	-	-
CASH, DECEMBER 31	\$ 8,522	\$ 10,935	\$ 2,413	\$ -	\$ 18,522	\$ 18,522

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 OFF SYSTEM FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	\$1,258,370	\$ 337,128	\$ (921,242)		\$ 96,820	\$ 96,820
Interest		1,421	1,421		2,254	2,254
Total Receipts	1,258,370	338,549	(919,821)	\$ -	99,074	99,074
DISBURSEMENTS						
Other	1,308,970	345,352	963,618	368,305	92,769	275,536
Total Disbursements	1,308,970	345,352	963,618	368,305	92,769	275,536
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50,600)	(6,803)	43,797	(368,305)	6,305	374,610
CASH, JANUARY 1	52,450	52,450	-	46,145	46,145	-
CASH, DECEMBER 31	\$ 1,850	\$ 45,647	\$ 43,797	\$(322,160)	\$ 52,450	\$ 374,610

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,100	\$ 1,424	\$ 324	\$ 1,182	\$ 1,182	
Total Receipts	1,100	1,424	324	\$ -	1,182	1,182
DISBURSEMENTS						
Public safety	1,500	1,584	(84)	3,010	1,538	1,472
Total Disbursements	1,500	1,584	(84)	3,010	1,538	1,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	(160)	240	(3,010)	(356)	2,654
CASH, JANUARY 1	453	453	-	809	809	-
CASH, DECEMBER 31	\$ 53	\$ 293	\$ 240	\$ (2,201)	\$ 453	\$ 2,654

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charge for services	\$ 150	\$ 238	\$ 88	\$ 163	\$ 163	
Total Receipts	150	238	88	\$ -	163	163
DISBURSEMENTS						
Public safety	200	183	17	324	190	134
Total Disbursements	200	183	17	324	190	134
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50)	55	105	(324)	(27)	297
CASH, JANUARY 1	137	137	-	164	164	-
CASH, DECEMBER 31	\$ 87	\$ 192	\$ 105	\$ (160)	\$ 137	\$ 297

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER'S USER FEE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 2,100	\$ 2,914	\$ 814	\$ 2,227	\$ 2,227	
Total Receipts	2,100	2,914	814	\$ -	2,227	2,227
DISBURSEMENTS						
Recorder	4,100	4,009	91	8,101	1,393	6,708
Total Disbursements	4,100	4,009	91	8,101	1,393	6,708
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	(1,095)	905	(8,101)	834	8,935
CASH, JANUARY 1	6,935	6,935	-	6,101	6,101	-
CASH, DECEMBER 31	\$ 4,935	\$ 5,840	\$ 905	\$ (2,000)	\$ 6,935	\$ 8,935

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW LIBRARY FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for service	\$ 1,800	\$ 2,677	\$ 877	\$ 1,850	\$ 1,850	
Interest Income	50	66	16	101	101	
Total Receipts	1,850	2,743	893	\$ -	1,951	1,951
DISBURSEMENTS						
Other expenses	2,500	2,241	259	7,591	3,146	4,445
Total Disbursements	2,500	2,241	259	7,591	3,146	4,445
RECEIPTS OVER (UNDER) DISBURSEMENTS	(650)	502	1,152	(7,591)	(1,195)	6,396
CASH, JANUARY 1	4,641	4,641	-	5,836	5,836	-
CASH, DECEMBER 31	\$ 3,991	\$ 5,143	\$ 1,152	\$ (1,755)	\$ 4,641	\$ 6,396

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 50	\$ 170	\$ 120	\$ 111	\$ 111	
Total Receipts	50	170	120	\$ -	111	111
DISBURSEMENTS						
Expenses	250		250	2,727	1,408	1,319
Total Disbursements	250	-	250	2,727	1,408	1,319
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	170	370	(2,727)	(1,297)	1,430
CASH, JANUARY 1	1,129	1,129	-	2,426	2,426	-
CASH, DECEMBER 31	\$ 929	\$ 1,299	\$ 370	\$ (301)	\$ 1,129	\$ 1,430

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRAND FUND

	Year Ended December 31,			Year Ended December 31,		
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 273,800	\$ 226,615	\$ (47,185)		\$ 2,925	\$ 2,925
Transfers in		30,840	30,840			-
Total Receipts	273,800	257,455	(16,345)	\$ -	2,925	2,925
DISBURSEMENTS						
Road and bridge expense	273,800	204,804	68,996	16,526	3,925	12,601
Transfers out		51,651	(51,651)			-
Total Disbursements	273,800	256,455	17,345	16,526	3,925	12,601
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	1,000	1,000	(16,526)	(1,000)	15,526
CASH, JANUARY 1	-	-	-	1,000	1,000	-
CASH, DECEMBER 31	\$ -	\$ 1,000	\$ 1,000	\$ (15,526)	\$ -	\$ 15,526

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LOCAL EMERGENCY PLANNING COMMISSION- FEDERAL EMERGENCY MANAGEMENT AGENCY FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	\$ 3,700	\$ 1,730	\$ (1,970)		\$ 3,873	\$ 3,873
Total Receipts	3,700	1,730	(1,970)	\$ -	3,873	3,873
DISBURSEMENTS						
Other	3,700	1,500	2,200	6,929	5,094	1,835
Total Disbursements	3,700	1,500	2,200	6,929	5,094	1,835
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	230	230	(6,929)	(1,221)	5,708
CASH, JANUARY 1	2,708	2,708	-	3,929	3,929	-
CASH, DECEMBER 31	\$ 2,708	\$ 2,938	\$ 230	\$ (3,000)	\$ 2,708	\$ 5,708

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 10,000		\$ (10,000)		\$ 6,635	\$ 6,635
Transfers in	1,000		(1,000)		737	737
Total Receipts	11,000	\$ -	(11,000)	\$ -	7,372	7,372
DISBURSEMENTS						
Sheriff equipment	11,048	48	11,000	-	7,324	(7,324)
Total Disbursements	11,048	48	11,000	-	7,324	(7,324)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(48)	(48)	-	-	48	48
CASH, JANUARY 1	48	48	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ 48	\$ 48

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER TECHNOLOGY FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,200	\$ 1,416	\$ 216	\$ 637	\$ 637	
Total Receipts	1,200	1,416	216	\$ -	637	637
DISBURSEMENTS						
Recorder technology	500		500	-		-
Total Disbursements	500	-	500	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	700	1,416	716	-	637	637
CASH, JANUARY 1	637	637	-	-	-	-
CASH, DECEMBER 31	\$ 1,337	\$ 2,053	\$ 716	\$ -	\$ 637	\$ 637

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LOCAL RECORDS FUND

	Year Ended December 31,		
	2001		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental		\$ 8,619	\$ 8,619
Transfers in		5,847	5,847
Interest income		208	208
Total Receipts	\$ -	14,674	14,674
DISBURSEMENTS			
Preservation of records	22,280	20,300	1,980
Total Disbursements	22,280	20,300	1,980
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,280)	(5,626)	16,654
CASH, JANUARY 1	5,626	5,626	-
CASH, DECEMBER 31	<u>\$ (16,654)</u>	<u>\$ -</u>	<u>\$ 16,654</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 4,000	\$ 4,086	\$ 86		\$ 3,968	\$ 3,968
Total Receipts	4,000	4,086	86	\$ -	3,968	3,968
DISBURSEMENTS						
Prosecuting attorney disbursements	4,200	4,280	(80)	2,611	4,275	(1,664)
Total Disbursements	4,200	4,280	(80)	2,611	4,275	(1,664)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	(194)	6	(2,611)	(307)	2,304
CASH, JANUARY 1	304	304	-	611	611	-
CASH, DECEMBER 31	\$ 104	\$ 110	\$ 6	\$ (2,000)	\$ 304	\$ 2,304

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSOCIATE CIRCUIT COURT DIVISION INTEREST FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Cash and Revenues	\$ 250	\$ 187	\$ (63)	\$ 316	\$ 316	
Total Receipts	250	187	(63)	\$ -	316	316
DISBURSEMENTS						
Circuit Clerk Interest	750		750			-
Total Disbursements	750	-	750	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	187	687	-	316	316
CASH, JANUARY 1	963	963	-	647	647	-
CASH, DECEMBER 31	\$ 463	\$ 1,150	\$ 687	\$ 647	\$ 963	\$ 316

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ELECTION SERVICE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 300	\$ 348	\$ 48	\$ 279	\$ 279	
Interest	15	25	10	39	39	
Intergovernmental revenues	250		(250)	424	424	
Total Receipts	565	373	(192)	\$ -	742	742
DISBURSEMENTS						
Election expense	1,200	410	790	1,251	358	893
Total Disbursements	1,200	410	790	1,251	358	893
RECEIPTS OVER (UNDER) DISBURSEMENTS	(635)	(37)	598	(1,251)	384	1,635
CASH, JANUARY 1	1,136	1,136	-	752	752	-
CASH, DECEMBER 31	\$ 501	\$ 1,099	\$ 598	\$ (499)	\$ 1,136	\$ 1,635

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 COURTHOUSE RESTORATION FUND

	Year Ended December 31,		
	2002		
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Intergovernmental revenues		\$ 40,346	\$ 40,346
Interest income		2,606	2,606
Total Receipts	\$ -	42,952	42,952
DISBURSEMENTS			
Repairs to courthouse		3,290	(3,290)
Total Disbursements	-	3,290	(3,290)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	39,662	39,662
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 39,662	\$ 39,662

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL SHERIFF PROJECT FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Donation		\$ 250	\$ 250
Total Receipts	\$ -	250	250
DISBURSEMENTS			
C.D.B.G. Grant 2000-Pf-42 expenses			-
Total Disbursements	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	250	250
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 250	\$ 250

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DARE FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other		\$ 500	\$ 500			
Total Receipts	\$ -	500	500	\$ -	\$ -	\$ -
DISBURSEMENTS						
DARE disbursements			-			-
Total Disbursements	-	-	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	500	500	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 500	\$ 500	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 70,500	\$ 68,905	\$ 5,413	\$ 65,000	\$ 70,413	\$ 5,413
Intergovernmental	253,127	270,255	31,989	233,916	265,905	31,989
Charges for services	8,035	6,802	(7,713)	17,295	9,582	(7,713)
Interest	8,600	10,834	1,069	8,600	9,669	1,069
Other	10,600	12,839	11,955	8,100	20,055	11,955
Total Receipts	350,862	369,635	42,713	332,911	375,624	42,713
DISBURSEMENTS						
Salaries	266,693	236,656	30,037	244,507	238,628	5,879
Office expenditures	38,000	33,338	4,662	32,800	30,059	2,741
Equipment and supplies	24,000	15,687	8,313	23,100	20,907	2,193
Mileage and training	16,000	12,748	3,252	12,200	10,925	1,275
Principal and interest	600	430	170	600	475	125
Other	7,000	6,211	789	16,650	15,735	915
Total Disbursements	352,293	305,070	47,223	329,857	316,729	13,128
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,431)	64,565	89,936	3,054	58,895	55,841
CASH, JANUARY 1	205,967	205,967	-	147,072	147,072	-
CASH, DECEMBER 31	\$ 204,536	\$ 270,532	\$ 89,936	\$150,126	\$ 205,967	\$ 55,841

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCOTLAND COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CHILDREN'S TRUST FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Children's Trust revenue		\$ 220	\$ 220		\$ 160	\$ 160
Total Receipts	\$ -	220	220	\$ -	160	160
DISBURSEMENTS						
Children's Trust disbursements		150	(150)		230	(230)
Total Disbursements	-	150	(150)	-	230	(230)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	70	70	-	(70)	(70)
CASH, JANUARY 1	80	80	-	150	150	-
CASH, DECEMBER 31	\$ 80	\$ 150	\$ 70	\$ 150	\$ 80	\$ (70)

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CEMETERY TRUSTS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Cemetery Trusts revenue		\$ 2,863	\$ 2,863		\$ 5,098	\$ 5,098
Total Receipts	\$ -	2,863	2,863	\$ -	5,098	5,098
DISBURSEMENTS						
Cemetery Trusts disbursements		1,935	(1,935)	-	3,145	(3,145)
Total Disbursements	-	1,935	(1,935)	-	3,145	(3,145)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	928	928	-	1,953	1,953
CASH, JANUARY 1	6,149	6,149	-	4,196	4,196	-
CASH, DECEMBER 31	\$ 6,149	\$ 7,077	\$ 928	\$ 4,196	\$ 6,149	\$ 1,953

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SCOTLAND COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, (County) and comparisons of such information with the corresponding budgeted information for various funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected County official, the Health Center Board of Trustees. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various County funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds:

SCOTLAND COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

1. Summary of Significant Accounting Policies (Continued)

C. Budgets and Budgetary Practices (Continued)

<u>Fund</u>	<u>Year Ended December 31,</u>	
Road Rock Tax Fund	2001	
Local Law Enforcement Block Grant Fund	2001	
Recorder Technology Fund	2001	
Courthouse Restoration Fund		2002
Children's Trust Fund	2001	2002
Cemetery Trusts Fund	2001	2002

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
Special Road and Bridge Fund		2002
Law Enforcement Sales Tax Fund		2002
Road and Bridge Capital Improvements Fund		2002
Road Rock Tax Fund	2001	2002
Law Enforcement Training Fund		2002
Local Law Enforcement Block Grant Fund	2001	
Prosecuting Attorney Bad Check Fund	2001	2002
Courthouse Restoration Fund		2002
Children's Trust Fund	2001	2002
Cemetery Trusts Fund	2001	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

SCOTLAND COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

1. Summary of Significant Accounting Policies (Continued)

D. Published Financial Statements (Continued)

However, the County's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>	
Children's Trust Fund	2001	2002
Associate Division Interest Fund	2001	
Cemetery Trusts Fund	2001	2002
Health Center Fund	2001	2002
Local Law Enforcement Block Grant		2002

Although Section 50.740, RSMo 2000 requires a balanced budget, a deficit balance was budgeted in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Off System Fund	2001
Law Enforcement Training Fund	2001
Prosecuting Attorney Training Fund	2001
Recorder's User Fees Fund	2001
Law Library Fund	2001
Circuit Clerk Interest Fund	2001
Community Development Block Grant Fund	2001
Local Emergency Planning Commission – Federal Emergency Management Agency Fund	2001
Local Records Fund	2001
Prosecuting Attorney Bad Check Fund	2001
Election Services Fund	2001

SCOTLAND COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2002 AND 2001

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The County's deposits at December 31, 2002 and 2001 were entirely covered by federal depositary insurance or by collateral securities held by the County's custodial bank in the County's name.

The Health Center's deposits at December 31, 2002 and 2001 were entirely covered by federal depositary insurance or by collateral securities held by the Health Center's custodial bank in the Health Center's name.

Supplementary Schedule

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045	\$ 12,273	\$ 17,390
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development				
14.228	Community Development Block Grants/State's Program	2001-PF-20	256,455	3,925
U.S. DEPARTMENT OF JUSTICE				
Passed through state Department of Public Safety				
16.575	Local Law Enforcement Block Gran			7,326
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-099-(12)	269,062	24,898
		BRO-099-(13)	4,039	21,761
		BRO-099-(14)	6,029	19,455
		BRO-099-(15)	6,024	23,594
		BRO-099-(16)	31,918	2,546
		BRO-099-(17)	27,891	
Total pass-through programs			344,963	92,254
Total U. S. Department Of Transportatior			344,963	92,254
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	423	
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.534	Emergency Management - State and Local Assistance	N/A	143,684	

Schedule

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31	
			2002	2001
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Department of Health:				
93.268	Immunization Grants	PG0064	1,748	
	Immunization Grants - Vaccine	N/A	12,518	8,817
93.575	Child Care and Development Block Grant	ERO146	1,761	1,746
93.991	Comprehensive Breast and Cervical Cancer (BCCCP)			575
93.994	Maternal and Child Health Services			
	Block Grants to States	ERS146	17,327	15,755
	Block Grants to States	IFB1013		5,791
	Vaccine	N/A	135	992
	Total pass-through programs		33,489	33,676
	Total U.S. Department of Health and Human Service:		33,489	33,676
	Total Expenditures of Federal Awards:		\$791,287	\$154,571

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

SCOTLAND COUNTY, MISSOURI

NOTES TO THE SUPPLEMENTARY SCHEDULE
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Scotland County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

SCOTLAND COUNTY, MISSOURI

NOTES TO THE SUPPLEMENTARY SCHEDULE (CONTINUED)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

C. Basis of Accounting (Continued)

Of the amounts for Immunization Grants (CFDA number 93.268), \$8,810 and \$12,518 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2001 and 2002, respectively. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$991 and \$135 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2001 and 2002, respectively. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

There were no federal awards passed-through to subrecipients for the two-year audit period ending December 31, 2002.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

Independent Auditors' Report

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

302 Main Street
Tarkio, Missouri 64491
Telephone (660) 736-5811
Fax (660) 736-4364

Offices also located in:
St. Joseph, Missouri
Rock Port, Missouri

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 3, 2003

To the County Commission
and
Officeholders of Scotland County, Missouri

Compliance

We have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Scotland County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001.

Internal Control Over Compliance

The management of Scotland County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Schedule

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are
not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to the financial statements
noted? X yes _____ no

Federal Awards

Internal control over major program:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes X no

Identification of major program:

CFDA or Other Identifying Number	Program Title
20.205	Highway Planning and Construction
83.534	Emergency Management – State and Local Assistance

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1 Budgetary Practices

Condition: Actual disbursements exceeded budgeted amounts in the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>2002</u>	<u>2001</u>
Special Road and Bridge Fund	\$42,948	
Law Enforcement Sales Tax Fund	12,056	
Road and Bridge Capital Improvement Fund	49,644	
Road Rock Tax Fund	1,877	\$59,383
Law Enforcement Training Fund	84	
Local Law Enforcement Block Grant Fund		7,324
Prosecuting Attorney Bad Check Fund		1,664
Courthouse Restoration Fund	3,290	

Similar conditions were noted in the prior audit report.

In addition, the County did not adopt budgets for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
Road Rock Tax Fund		2001
Local Law Enforcement Block Grant Fund		2001
Recorder Technology Fund		2001
Courthouse Restoration Fund	2002	
Children's Trust Fund	2002	2001
Cemetery Trusts Fund	2002	2001

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-1 Budgetary Practices (Continued)

Criteria: Chapter 50, RSMo2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all County funds and activities the County Commission is able to more effectively evaluate all County financial resources. In addition, Section 50.622, RSMo2000, provides that counties may amend the annual budget during any year in which the county receives additional funds, which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

Effect: The County is not in compliance with Chapter 50, RSMo 2000.

Recommendation: We recommend the County Commission not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

Auditee's Response: We will attempt to be more careful in the future in amending the budget when necessary.

02-2 Published Financial Statements

Condition: As noted in note 1D in the notes to the financial statements, the County's published financial statements did not include all County funds.

Criteria: Sections 50.800 and 50.810, RSMo 2000, require publishing in a local newspaper a detailed annual financial statement for the County.

Effect: The County is not in compliance with Sections 50,800 and 50.810, RSMo, 2000.

Recommendation: We recommend that the County include all County funds in the published annual financial statements.

Auditee's Response: We will attempt to include all County funds in future published annual financial statements.

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-3 Purchasing Procedures

Condition: Bids were not always solicited or bid documentation retained for purchases. Examples of purchases for which no evidence of bidding was available are as follows:

<u>Item Purchased</u>	<u>Amount</u>
Steel beams	\$ 14,543
Road rock	228,942
Road and bridge supplies	6,080
Truck repairs	5,900
Courthouse repairs	5,460
Pipe	9,530

The County indicated that sometimes purchases were made without bids from local suppliers that were known to supply good products or because the supplier provided the only acceptable product within the area. Documentation of such sole source or justification for not soliciting bids was not maintained. Similar conditions were also noted in the prior audit report.

Criteria: Section 50.660, RSMo 2000 requires the advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity in county business.

Documentation of bids should always be retained as evidence that the County's established purchasing procedures as well as statutory requirements are being followed. Documentation should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when applicable, bids received, the basis and justification for awarding bids, and documentation of discussions with vendors.

Effect: The County is not in compliance with Section 50.660, RSMo 2000.

Recommendation: We recommend the County Commission solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If circumstances are deemed to warrant a purchase without bids, such circumstances should be fully documented and noted in the County Commission minutes.

Auditee's Response: Being in a remote area, we are somewhat limited in potential suppliers. However, we will attempt to do a better job of documenting the purchasing process.

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-4 Commission Minutes

Condition: The County Clerk does not prepare adequate records of the meeting of the County Commission. Minutes frequently lack sufficient detail of discussions and votes taken. Items such as bid solicitations and selections, transfers between funds, and various other decisions are not always documented. In addition, the minutes are not prepared in a timely manner. As of April 1, 2003, minutes had not been prepared subsequent to January 15, 2003. Similar conditions were also noted in the prior audit report.

Criteria: Section 51.120, RSMo 2000, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but also allows a review of the contents to ensure the minutes include all important information regarding the meetings held.

Effect: The County is not in compliance with Section 51.120, RSMo 2000.

Recommendation: We recommend the County Commission ensure a complete record of meetings is prepared and approved on a timely basis.

Auditee's Response: We will attempt to do a better job of documenting meetings in the future.

02-5 Prosecuting Attorney's Office

Condition: The Prosecuting Attorney does not have an office in the courthouse; instead she performs her County duties from an office building used in the operation of her private law practice. The Prosecuting Attorney has not documented the actual costs of running the office or the percentage of the costs of the office that relate to official duties. Rather, the County pays the Prosecuting Attorney \$340 per month as an allowance for the office expenses incurred on behalf of the County which include utilities, telephone, library/upkeep, supplies, and postage. The County has made similar payments to previous prosecuting attorneys for a number of years. No supporting documentation is provided to the County for these monthly expenses, nor does the County have a written agreement with the Prosecuting Attorney outlining the portion of the total office expenses to be paid by the County. Similar conditions were noted in the prior audit report.

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-5 Prosecuting Attorney's Office (Continued)

Criteria: The Prosecuting Attorney's unsupported expense reimbursements were not reported on her W-2 forms as required by law. IRS regulations specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. In addition, Section 432.070, RSMo 2000, requires that all county contracts be in writing.

Effect: The County is not in compliance with Section 432.070, RSMo 2000.

Recommendation: We recommend the County Commission require adequate supporting documentation prior to approving expenditures for payments to employees should be included on W-2 forms. In addition, all County contracts should be in writing and the basis for payments should be documented.

Auditee's Response: We will attempt to obtain an annual agreement with the Prosecuting Attorney based on actual expenses and the percentage of time the office is used for County business.

02-6 Computer Controls

Condition: Access to the computer programs such as the property tax, payroll, and disbursement systems is not adequately restricted. Staff in both the County Collector's and County Assessor's offices have access to the property tax system, The County Clerk's office has access to the payroll and disbursement systems, and the County Treasurer has her own system. However, personnel in the County Collector's, County Clerk's and County Treasurer's offices do not utilize passwords. The lack of an effective system of user passwords may allow unauthorized changes to be made to tax books, payroll records, and disbursement ledgers.

Criteria: To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

Effect: The failure to limit access to information to authorized individuals increases the risk that errors or irregularities will not be detected in a timely manner.

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-6 Computer Controls (Continued)

Recommendation: We recommend the County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.

Auditee's Response: The County Clerk's office is in the process of updating its computer system to include passwords. We will consult with the programmer for the other offices.

02-7 Fixed Assets

Condition: Purchases of new fixed assets and disposition of old items have not been recorded on the fixed asset listing since 1993. In addition, since that time, most new assets have not been properly numbered, tagged, or otherwise identified and physical inventories have not been performed.

Criteria: Section 49.093, RSMo 2000, provides the County officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk.

Effect: The County is not in compliance with Section 49.093, RSMo 2000. In addition, adequate general fixed asset records are necessary to secure better internal control over County property and provide a basis for determining proper insurance coverage required on County property. Physical inventories of County property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Recommendation: We recommend the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with County property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as County-owned property upon receipt.

Auditee's Response: We will adopt a policy that complies with Section 49.093, RSMo 2000.

SCOTLAND COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

02-8 Control Over Disbursements

Condition: The County Commission uses a single stamp to approve warrants, which is easily accessible to the County Clerk staff. Invoices were often not approved by the County Clerk's office, nor were they cancelled as paid.

Criteria: Controls over cash disbursements are needed to help ensure that disbursements are made only for authorized and official County business.

Effect: Failure to approve invoices, cancel invoices as they are paid, or limit access to the warrant approval stamp increases the risk that errors or irregularities will not be detected in a timely manner.

Recommendation: We recommend the County Commission approve disbursements by signature or with an approval stamp to which access is limited to the County Commission, and the County Clerk cancel invoices in an appropriate manner.

Auditee's Response: We agree with this recommendation.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Lewis County, Missouri, on findings that *Government Auditing Standards* requires to be reported for an audit of financial statements in the audit report issued by the State Auditor's office for the two years ended December 31, 2000.

00-1 Budgetary Practice

Actual disbursements exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	2000	1999
Off System Fund	\$ N/A	141
Community Development Block Grant Fund	284,412	N/A
Prosecuting Attorney Bad Check Fund	1,906	N/A

Although the County Commission approved and budgeted Community Development Block Grant Fund disbursements of \$16,526 in 2000, an additional federal grant for a Community Development Block Grant project was received after the budget was finalized, resulting in significantly greater receipts and disbursements for 2000. The County apparently failed to monitor such financial activities and did not amend the Community Development Block Grant budget.

Recommendation: The County Commission not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

Status: Similar conditions existed in the two years ending December 31, 2002. See finding 02-1.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Scotland County, Missouri, on findings in the Management Advisory Report (MAR) of the State Auditor's report issued for the two years ended December 31, 2000.

The prior recommendations, which have not been implemented, but are considered significant are repeated in the current findings that *Government Auditing Standards* requires to be reported for an audit of financial statements. Although the remaining unimplemented recommendations are not repeated, the County should consider implementing those recommendations.

1. County Policies

- A. Bids were not solicited or bid documentation was not retained for some purchases.
- B. The County Clerk did not prepare adequate records of the meetings of the County Commission and minutes were not prepared in a timely manner.
- C. No documentation is provided by the Prosecuting Attorney to support reimbursements for office space and related expenses outside the courthouse.

The unsupported expense reimbursements were not reported on the Prosecuting Attorney's W-2 as required by IRS regulations.

The County does not have a contract with the Circuit Judge to support the rental of equipment for \$150 per month.

Recommendation: The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain sufficient documentation of all bids obtained and justification of bid awards. If bids cannot be obtained and sole source or emergency procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Ensure a complete record of meetings is prepared and approved on a timely basis.
- C. Require adequate supporting documentation prior to approving expenditures for payment and any unsupported payments to employees should be included on W-2 forms. In addition, all County contracts should be in writing and the basis for payments should be documented.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

1. County Policies (Continued)

Status:

- A. Not implemented. See finding number 02-3.
- B. Not implemented. See finding number 02-4.
- C. Partially implemented. No documentation is provided by the Prosecuting Attorney to support office expense reimbursements and no W-2's are prepared for the unsupported expense reimbursements. See finding number 02-5. The recommendation for the arrangement with the Circuit Court Judge to be in written contract form was implemented.

2. Capital Improvements and Law Enforcement Sales Taxes

The County deposited receipts from the capital improvements sales tax into the Special Road and Bridge Fund and did not separately account for disbursements made from sales tax receipts. In addition, the County deposited the law enforcement sales tax receipts in the County's General Revenue Fund and did not separately account for disbursements made from the sales tax receipts.

Recommendation: The County Commission direct the Treasurer to deposit revenues from the capital improvements sales tax and law enforcement sales tax into separate funds to properly account for the use of these monies.

Status: Implemented.

3. Property Tax System and Computer Controls

- A. Neither the County Commission nor the County Clerk provides a review of the activities of the County Collector. Various state laws require their involvement in these processes. The County Clerk does not maintain an account book with the Collector, nor does she verify the totals of the tax books. In addition, there is no independent review of the actual addition and abatement changes made to the tax books, nor is there any apparent review of the County Collector's annually settlement of activity.
- B. Access to the computer programs such as the property tax, payroll, and disbursement systems is not adequately restricted.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

3. Property Tax System and Computer Controls (Continued)

- C. Backup disks of information for the County Clerk's, County Treasurer's, and Health Center's computer systems are not prepared periodically.

Recommendation: That:

- A. The County Clerk maintain a complete account book of the County Collector's transactions, and the County Clerk and County Commission make use of this account book to verify the County Collector's annual settlements.
- B. The County Commission establish procedures to restrict access to computer files, including the use of unique passwords, to only authorized individuals.
- C. The County Clerk, Treasurer, and Health Center Board of Trustees ensure that backup disks from the computer systems are prepared and stored in a secure, off-site location.

Status:

- A. Implemented.
- B. Not implemented. See finding number 02-6.
- C. Partially implemented. Files are now backed up, but backups are not stored off-site.

4. Personnel and Payroll Policies and Procedures

- A. Section 50.333.13 RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. On May 5, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$3,800 for the two years ended December 31, 2000, should be repaid.
- B. Time sheets are not always prepared by employees or maintained by the County Clerk's office and are not always accurate.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

4. Personnel and Payroll Policies and Procedures (Continued)

- C. Employee leave balances are not always correctly recorded on the centralized leave records and monitored for compliance with the County's accumulation limits.
- D. The County's personnel policy does not adequately address the issue of overtime/compensatory time. The policy does not address the compensation of hours between the 32.5-hour workweek and the 40 hours required for overtime pay, nor does it indicate compensatory time is allowable in lieu of payment for the extra hours worked.

Recommendations: The County Commission:

- A. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Ensure accurate and complete time sheets are prepared and maintained for all employees.
- C. Ensure that employee leave balances are maintained and reported accurately.
- D. Ensure county policy addresses how employees are compensated for overtime.

Status:

- A. Not implemented. The County Commission did review the opinion and decided that no repayment of salaries would be requested.
- B. Implemented.
- C. Partially implemented. Leave balance notices are now sent to employees as an effort to improve accuracy of the records. However, no systematic process of verification of leave balances has been implemented. Although not repeated in the current report, the recommendation remains the same as noted above.
- D. Implemented.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

5. Fixed Assets

Purchases of new fixed assets and disposition of old items have not been recorded on the fixed assets listing since 1993. In addition, most new assets have not been properly numbered, tagged, or otherwise identified and physical inventories have not been performed.

Recommendation: The County Commission establish a written policy related to the handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items tagged upon receipt.

Status: Not implemented. See finding number 02-7.

6. Sheriff's Accounting Controls and Procedures

A. The duties of cash custody and record-keeping have not been adequately segregated.

B. Prenumbered receipt slips do not indicate the method of payment.

Recommendation:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Require the method of payment be indicated on all receipt slips and reconcile to monies deposited.

Status:

A. Implemented.

B. Implemented.

7. Prosecuting Attorney's Accounting Controls and Procedures

A. Duties are not adequately segregated.

B. Prenumbered receipt slips were not issued for most monies received.

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

7. Prosecuting Attorney's Accounting Controls and Procedures (Continued)

- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established.
- D. The Prosecuting Attorney has not established a formal policy specifying when unpaid bad check complaints should be filed as a court case.
- E. The Prosecuting Attorney submitted invoices, totaling \$480, which did not appear to be related to official duties.

Recommendations:

- A. Provide for adequate segregation of duties and/or performance of independent reconciliations and reviews of accounting records.
- B. Ensure official prenumbered receipt slips are issued for all monies received.
- C. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- D. Maintain a complete and accurate listing of delinquent bad check restitution and fees.
- E. Limit future expenditures of the Prosecuting Attorney Bad Check Fund to expenses related to the official duties of prosecution of bad check complaints.

Status:

- A. Implemented.
- B. Implemented.
- C. Implemented.
- D. Implemented.
- E. Implemented.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SCOTLAND COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report included no findings relative to federal awards.